c) Energy and Energy Conservation

Enabling Legislation

5 MRSA § 3305 (A): Directs SPO to prepare policies to guide and carry forward the wise and coordinated development of the State's economy and energy resources and the conservation of the State's natural resources.

5 MRSA § 3305 (B): Directs SPO to provide technical assistance to the Governor and Legislature by undertaking special studies and plans, preparing or analyzing policy alternatives, and identifying immediate and long-range needs and resources to meet those needs in the areas of energy and natural resources and socioeconomics.

5 MRSA § 3305-B (1): Assigns SPO the responsibility to coordinate the development of the State's energy policy through collecting and analyzing energy data, preparing a biennial energy resources plan (including a forecast of energy demand and resources to meet that demand), promoting research and demonstration projects, providing conservation alternatives to proposed electric energy generating plants, and coordinating state agency actions that affect the consumption of energy.

5 MRSA § 3305-B (2): Directs the Office to guide the development of statewide conservation programs and to create an overall energy strategy for such conservation programs in Maine.

5 MRSA § 3211: Provides the guidelines for service provider conservation programs that are consistent with the energy conservation program developed by SPO.

5 MRSA § 3307-B: Directs SPO to administer a program of energy research and demonstration activities related to the use of renewable resources and more efficient use of energy, as funding allows.

35-A § 3210 (5): Directs SPO to administer a Renewable Resource Fund; voluntary contributions by retail consumers to fund renewable resource research and development and demonstration community projects using renewable energy technologies.

5 MRSA § 3307-C: Requires the State Planning Office to report annually to the Legislature on inventories of petroleum products, their trends, and expected shortfalls.

5 MRSA § 3307-D: Directs SPO to establish a state set-aside for petroleum products, in the event of an emergency energy shortage (declared by the Governor) and in the event that the Federal Government fails to implement a national set-aside program.

37 MRSA § 742: Calls on SPO to assist the Governor in an actual or impending acute shortage in energy resources that threatens the health, safety or welfare of the citizens of the State.

12 MRSA § 405-A (4): Directs SPO to review the status of hydropower development on the St Croix River and report to the Legislature every five years.

12 MRSA § 407: Requires SPO to develop a comprehensive river resources management plan for each watershed with a hydropower project licensed or to be licensed. These plans provide the basis for the State's comments, recommendations, and permitting decisions on hydropower licenses within the State.

38 MRSA § 634: Lays out the provisions for the coordinated permit review of hydropower projects and requires SPO to submit written comments as part of the review.

10 MRSA § 1492 (1): Directs SPO to determine what solar energy equipment should qualify for Maine's minimum warranty on sale and installation.

25 MRSA § 52: Establishes within the State Planning Office a State Nuclear Safety Advisor position to advise the Governor and Legislature on issues pertaining to the safe operation of nuclear facilities and the safe transportation and storage of nuclear waste. This position currently oversees the dismantling of Maine Yankee.

38 MRSA § 1545: Directs the State Planning Office to assess any nuclear power plant within the State for the full costs of membership and participation in the Texas Low-Level Radioactive Waste Disposal Compact.

In addition to ongoing duties, the Legislature frequently calls on SPO to conduct short-term energy and utilities projects. Examples of these include:

- *Legislative Resolve HR 1583*: Directs SPO to staff the Committee on Sawmill Biomass; staff provided assistance evaluating issues and developing policy alternatives in light of the possibility that biomass power plants might have difficulty competing in regional wholesale markets
- *P.L. 2001, Ch. 439, Part GG-4*: Directs the Maine State Housing Authority and SPO to investigate the possibility of establishing a separate Office of Energy Conservation within the Maine State Housing Authority
- *P.L. 2001, Ch. 439, GG-6*: Directs SPO to determine whether the State of Maine can reduce its per capita residential energy consumption by 25% by 2011

Positions Contributing to this Responsibility

- (1) State Economist (also supports other responsibilities)
- (1) State Nuclear Safety Advisor
- (2) Policy Development Specialists
- (1) Senior Planner (PT)
- Shared Clerical and Administrative Support

Description

With impetus from the Federal Government, the State played a significant role in developing energy policy and managing energy programs for nearly two decades. Currently, responsibility for energy issues is divided across agencies with SPO's role focused on planning and policy.

In the past, energy activities were more centralized. The Legislature created the Office of

Energy Resources (OER) in 1973 and it was responsible for coordinating the State's energy and energy conservation programs, developing a comprehensive energy plan, managing federal energy programs (including fuel allocation), analyzing and recommending energy policy, and providing information on energy matters to Maine citizens. The Office had four divisions: Conservation, Information Programs, Planning and Development, and Energy Emergency Management. In addition to its planning and policy work, it funded energy audits for residential and commercial buildings, coordinated a local government energy program, and conducted energy education (including an extension program with four regional offices).

The OER also prepared a plan for state expenditure of funds from federal oil overcharge cases. In a series of successful lawsuits, the Federal Government held that oil companies overcharged consumers for fuel products during the gas shortage of the mid 1970s. The courts directed the oil companies to pay states millions of dollars. While it was impractical to reimburse individual consumers for what they overpaid, states could implement programs that would save consumers money. In Maine, oil overcharge funds were set aside in a Petroleum Violation Escrow (PVE) Account and designated for energy-related programs benefiting the people of Maine. These included such projects as: low-income weatherization, low-income home energy assistance, subsidized energy conservation loans for business and industry, and state building and state agency energy conservation projects. All told, nearly $40 million was paid to Maine over 10-12 years.

During the years it existed, OER's operations were largely federally-funded. Then, during the 1980s fuel prices dropped and remained low. Interest in conservation measures waned. The Federal Government's commitment to state energy programs dried up. In 1989, the Legislature abolished the OER and transferred its responsibilities to two state agencies. The responsibility for energy conservation matters (energy audits, small business assistance, energy conservation loans) went to the Department of Economic and Community Development. SPO took on the energy planning and policy functions. Two positions came to SPO along with the PVE Account. Both positions were given up two years later and the Legislature used much of the remaining PVE money to cover budget shortfalls during the recession of the early 90s.

Today, all that remains from OER's federal funds (for SPO) is a small grant to conduct a weekly oil price survey. SPO can do energy work only when there are external sources of funds (a series of small federal grants cobbled together, new electricity wire charges enacted on utilities last year, and an assessment on Maine Yankee to fund the State Nuclear Safety Advisor through the period of its decommissioning).

Traditionally, SPO's energy functions centered around energy forecasting and planning, renewable resource development, energy emergency response, and nuclear safety. A move away from a regulated utility marketplace to a deregulated one has redefined SPO's energy role. Energy markets are increasingly regional in nature, energy supply and demand is assessed at the regional level, and energy policy affecting Maine consumers in increasingly set in regional forums. Traditional energy forecasting and modeling efforts have given way to the need for nimbleness and the ability to respond to changing and often volatile regional markets. Usually these take the form of requests by the Governor or Legislature to look at special issues or undertake special projects; or to facilitate

interagency or interstate cooperation. In recent years, these have included, by way of example,

- SPO advised the Governor and Legislature on the **deregulation of the electric utilities industry**.

- SPO analyzed the market potential for **natural gas** in Maine and coordinated multi-agency state involvement in the construction of two natural gas pipelines that provide an alternative energy source for residents and businesses.

- In collaboration with stakeholders, the University of Maine, and other agencies, SPO developed a **Climate Change Action Plan** to respond to global climate change and achieve greenhouse gas emission reductions in Maine.

- SPO co-led the creation of the **Bundle ME Up public service campaign** to promote fuel conservation.

- In 2000, the Legislature directed SPO to develop a statewide **energy conservation program plan** to direct the expenditure of millions of dollars of wire charges to be dedicated to energy conservation.

SPO also:

- tracks home heating oil prices with a weekly survey of oil dealers
- prepares an annual report of oil inventories to monitor the health of those inventories
- coordinates state reviews of hydropower licenses before the Federal Energy Regulatory Commission
- examines and promotes alternatives to fossil fuel energy sources
- serves as the Administration's liaison with the Legislature's Utilities and Energy Committee
- serves as the Governor's representative at the New England Power Pool
- serves as the Administration's liaison in coordinating with regional policymakers through organizations such as the Coalition of Northeast Governors and the New England Governor's Conference
- advises the Governor on nuclear safety issues
- monitors the legal and policy aspects of decommissioning Maine Yankee
- serves as nonvoting member on the Maine Yankee Community Advisory Panel

Progress towards Goals and Objectives

SPO's energy work contributes to the overall measure of performance for natural resources planning, namely that decision-makers have the information required to balance development and conservation of energy resources (see Figure 2 on page 10).

Assessment of Progress

Through SPO's work on a variety of energy issues, Maine's decision-makers on energy policy (the Legislature, Governor, and state agencies) have timely and pertinent

information and analyses to inform their discussions and decisions. SPO's efforts to inform decision-makers include:

- information on oil prices and petroleum products inventories
- Legislative briefings and testimony on energy management issues
- energy information on SPO's website
- policy recommendations on energy issues to the Governor and Legislature
- information to the Legislature's Utilities and Energy Committee

Performance Outputs for 2000

- produced Climate Change Action Plan
- coordinated Bundle ME Up public service campaign
- conducted weekly oil surveys during 2000 heating season
- developed an inventory of petroleum products for the Legislature
- held four stakeholder meetings and a public hearing to develop Maine's Energy Conservation Program Plan
- developed building codes standards for energy conservation
- prepared State Nuclear Safety Annual Report for Governor and Legislature
- participated as a intervener before the Nuclear Regulatory Commission on Maine Yankee's License Termination Plan
- examined the potential for fuel cell demonstration
- executed a settlement with Florida Power & Light for a hydropower project on Indian Pond that balances hydropower project impacts with enhancements

Other Evaluative Processes

- *Legislative Oversight*: SPO provides an Annual Conservation Program Report to the Utilities and Energy Committee and an Annual Report to Governor and Legislature from the State Nuclear Safety Advisor. In addition, the Legislature has studied the delivery of energy and energy conservation programs within state government in two study committees in the past two years.

Summary of Rule-making Activity

5 MRSA § 3307-D directs SPO to establish, by rule, a state set-aside for petroleum products in the event of an emergency energy shortage (declared by the Governor) and in the event that the Federal Government fails to implement a national set-aside program. To date, this scenario has not occurred.

Under 12 MRSA § 407, SPO is directed to develop a comprehensive river resources management plan for each watershed with a hydropower project licensed or to be licensed under the Federal Power Act. SPO has developed only one such plan, the Kennebec River Resource Management Plan (1993), that was adopted by rule and comprises Chapter 1 of SPO rules (see Section A of this report). SPO does not intend to develop additional resource plans under this authority in the coming year.

Comparison of Federal and State Laws

The primary guiding legislation for federal energy policy falls under the National Energy Policy Act of 1995. Still, other federal agencies also oversee energy laws, policies, or regulations including the: U.S. Department of Agriculture (on energy matters related to agriculture and forestry); U.S. Department of Interior (on matters related to off shore oil drilling); National Oceanic and Atmospheric Administration (on consistency reviews under Coastal Zone Management Act for energy infrastructure); Federal Energy Regulatory Commission (on regional transmission, regional energy markets, and hydropower licensing); Environmental Protection Agency (regarding environmental issues related to energy); and Nuclear Regulatory Commission (on nuclear energy and nuclear waste disposal).

Maine shares common energy objectives with the Federal Government –that of independence, security, reliability, and affordable supplies of energy and fuel oil. As a result, much of the federal and state law is complementary. SPO has found that often it is more a matter of differing priorities and program direction. For example, both Maine and the Federal Government support improving energy efficiency through building design and construction. The Federal Government would like to see building construction regulated in a way that addresses conservation. In contrast, Maine's chose to develop a set of model codes that could be used voluntarily by towns and builders. Because many of the priorities for federal energy policy are implemented through grants to states and localities, SPO evaluates the Federal Government's grant requirements and pursues those that will best achieve Maine's priorities.

One disparity exists between the State and Federal Government. The Federal Government has failed in its obligation to provide for disposal of nuclear waste. It has also delayed in providing interim storage for decommissioned or decommissioning nuclear plants (of which there are a handful in the U.S.) until a permanent repository is available. Spent nuclear fuel from military bases like Portsmouth Naval Shipyard and from university research reactors such as the one located at the Massachusetts Institute of Technology (MIT) routinely moves to federally protected storage sites. The U.S. government also imports spent nuclear fuel from around the world for interim, centralized storage under its Atoms for Peace Program. The disparity in federal policy between transporting military and research fuel and transporting essentially the same material produced from commercial plants has been called a pedigree issue. The situation in Wiscasset is a case of stranded spent nuclear fuel due to pedigree. There is no technical or safety issue that prevents the movement of the spent fuel from Maine, only a political one. With heightened security concerns, it makes increasing sense to transport the spent nuclear fuel from Maine to a centralized place with the expertise and national level security to protect it. Maine is working to help develop new federal policy in this area.

Constituencies Served

- Governor
- Legislature
- Executive decision-makers
- Energy industry stakeholders
- General Public

Efforts to Coordinate with Others

SPO works with a range of state agencies, commissions, and task forces in recognition that the activities, policies, and programs of other state entities affect energy choices. In particular, SPO works closely with the Department of Economic and Community Development (on energy-related economic growth opportunities and energy efficiency), the Office of the Public Advocate and the Public Utilities Commission (on issues related to electric industry restructuring, energy reliability, and market competitiveness), the Department of Environmental Protection (on the many overlaps between energy and environmental policies), the departments of Conservation, Environment Protection, Marine Resources, and Inland Fisheries and Wildife and the Atlantic Salmon Commission, Historic Preservation Commission, and Public Utilities Commisison (to coordinate state reviews of hydroelectric licenses before the Federal Energy Regulatory Commission), and the Governor's Office (on nuclear safety issues). SPO periodically organizes meetings of the various state entities with a role in energy policy, planning, and program delivery to share information on activities and services.

Examples of other successful collaborative efforts include:

- *Removal of Edwards Dam*: As the Governor's lead negotiator, SPO worked with owners, industry, environmentalists, federal agencies, and the City of Augusta to strike a deal acceptable to all. Edwards Dam was removed, opening 17 miles of free-flowing river to historic runs of anadromous fish

- *"Bundle ME Up:"* This was a successful public education campaign to address last winter's home heating oil situation. It was a collaborative effort of 13 state entities and a variety of private sector participants. In addition to producing radio and television public service ads, SPO and its partners developed and distributed 400,000 brochures, launched a website (www.bundlemeup.org), created a consumer hot line (1-866-HEAT-TIP), and wrote and edited newspaper inserts that appeared in all of Maine's dailies and many weeklies. All of these media contained information on how Maine residents can conserve energy. The campaign was done with no budget, rather through the staff contributions of participating agencies.

- *Energy Emergency Response:* Under a grant from the U.S. Department of Energy (via the Maine Department of Economic and Community Development), SPO works with the Maine Emergency Management Agency and other interested stakeholders to develop an energy emergency response plan for the State.

- *Energy Conservation:* SPO is also working with electric utilities and other stakeholders to develop a statewide energy conservation program plan, as directed by the Legislature. This plan, almost two years in the making, identifies programs to achieve Maine's energy conservation goals. Representatives from state agencies, nonprofit organizations, utilities, conservation groups, engineering firms, and vendors helped identify programs that would be effective and feasible to implement.

- *Specialized Energy Needs*: As part of SPO's energy conservation program development, SPO works with DECD on addressing small business energy needs, and with Maine State Housing Authority on low-income needs.

- *Hydroelectric Settlement Agreements*: Collaborative settlement agreements on Moosehead, Wyman, Harris, and International Paper hydro projects resulted in resource conservation and environmental enhancements, including a permanent easement or fee interest in 340 acres and six miles of shoreline on the East Outlet of Moosehead Lake and $500,000 to purchase shorelands on Moosehead.

- *Climate Change:* In a broad collaborative effort, SPO developed a Climate Change Action Plan for Maine to respond to global climate change and achieve greenhouse gas emission reductions in Maine. The plan identifies role for industry, business, government, and citizens and offers multiple options for policymakers. The report was funded by the U.S. Department of Environmental Protection, produced by SPO and the Margaret Chase Smith Center at the University of Maine, and guided by members of the Maine Climate Change Task Force with public input. In cooperation with Maine DEP, SPO also worked with other states in the region to develop and adopt a common Climate Action Strategy.

- *Regional Energy Policy:* SPO, in collaboration with staff at the Coalition of Northeast Governors and other Northeast states, developed a shared set of energy principles and priorities for the region.

- *Ethanol Production:* SPO supports the Finance Authority of Maine and the Legislatively-created Agricultural Products Utilization Commission to evaluate the feasibility of producing ethanol from biomass feedstocks in Maine. The project funded through a grant from the National Renewable Energy Laboratory.

- *Potential of Bio-products and Bio-energy:* SPO is working with the departments of Conservation, Agriculture, Environmental Protection, and Economic and Community Development and the Northeast Regional Biomass Program to evaluate the potential for bio-products production in Maine. Bio-products are products made from biomass feedstock and can include chemicals, biodegradable plastics, pharmaceutical products, bio-energy, and bio-fuels and fuel additives**.**

Alternate delivery systems

The State Planning Office uses a variety of alternative delivery systems to streamline processes, leverage funds, save time and money, and reach more people. These alternatives to traditional delivery systems include: contracting with others to provide services, fee-for-service, using volunteers, interns and research fellows, partnering with other organizations, sharing resources, and using electronic delivery mechanisms.

Examples of successful alternative delivery systems include:

- *Contracts for Services*: Under a grant from the U.S. Department of Energy (via the Maine Department of Economic and Community Development), SPO hired an outside vendor to design a voluntary energy standard for residential construction.

- *Internet Technology*: SPO uses the Internet to post policy and planning documents as one way to seek public input.

Emerging Policy Issues

The following interagency energy issues are likely to command SPO's time and attention in the coming 1-3 years:

- *Volatile Fuel Prices*: Maine, along with the rest of the U.S., faces an unpredictable and volatile energy market. The market is changing and has not yet found equilibrium. Prices are impacted by global events –OPEC production decisions, the Gulf War, the strikes against Afghanastan; by demand –largely the result of cold weather; and by supply –supply shortages, transportation bottlenecks, harbor icing, low inventories, and refinery outages. Structural changes in the oil industry also affect prices. Due to deregulation and trade in oil product futures, oil prices react to supply and demand conditions the same way as pork bellies or soybeans. As a result, the same forces that compel higher prices in response to increased demand, also serve to keep overall heating oil proces low under normal market conditions. Because of these forces, the events of winter 2000, with its associated price hikes, probably will, recur.

  ***SPO's Role**: SPO tracks oil prices on a weekly basis during the heating season (October-March) and annually inventories fuel supplies. SPO works with policymakers to develop conservation programs, to identify alternative energy resources, to examine infrastructure development issues, to understand and monitor the impact of market design on operational efficiency and resource development, and to propose solutions.*

- *Impact of Electric Industry Restructuring:* Effective March 1, 2000, legislation took affect restructuring Maine's electric utility industry, primarily to allow price competition for energy supply. This involved breaking up the utility companies so that the same company that generated electricity did not also transmit and deliver power. As a result existing electric utilities (CMP, Bangor Hydro, Maine Public Service and the smaller consumer-owned utilities) still transmit and deliver electricity to customers using the existing poles and wires, but they no longer generate the electricity. The delivery service remains a regulated monopoly much as it was, but the generation, or supply, of electricity is deregulated and customers can choose among various competitive providers. There are several unknowns associated with electric restructuring. The most significant, and the key to success, is whether a competitive market will emerge. Another is the pace at which competition develops in neighboring states with bigger markets. It may be that suppliers will only come to Maine when demand in the rest of New England reaches certain levels.[*]

  ***SPO's Role**: SPO monitors energy prices and advises the Governor and Legislature on restructuring issues.*

- *Consolidation of Northeast Energy Markets:* The Federal Energy Regulatory Commission has indicated its preference for combining the New England, New York, and mid-Atlantic electricity markets into a single market, with a single system operator. There are numerous technical and logistical challenges to overcome if a successful Northeast market is to be developed. In addition, the financial implications

[*] Office of Public Advocate, *Change in the Electric Power Industry*, Volume 1, July 1999

for Maine consumers, impacts on system reliability, and ability to influence market design and operation are yet unknown.

***SPO's Role**: As part of a team of state government officials that includes the Public Utilities Commission and the Office of the Public Advocate, SPO represents the Governor in regional energy policy forums to assure that perspectives of Maine consumers are represented.*

- *Energy Resource Diversity as a Means to Energy Security.* Having a mix of energy supplies can reduce disruptions and mitigate the price volatility of fossil fuels. Indigenous energy resources can improve local energy security. Because Maine is rich in biomass feedstock (e.g. wood chips, potato vines), the development of a bio-products industry may offer significant energy (and economic development) opportunities. Maine and the region will face many decisions related to energy security and will need to assess the pros and cons of government intervention in markets to achieve diversity goals.

  ***SPO's Role**: SPO provides information on and analyses of these issues for decision-makers. For example, SPO has identified opportunities and facilitated interagency consideration of bio-products development in the State.*

- *The Inter-relationship of Energy and Environmental Policy.* SPO recognizes that environmental policy decisions can affect energy choices, prices, and reliability, and energy policy decisions can affect environmental quality and the State's ability to meet environmental goals. There is a need for close coordination between energy and environmental policymakers to more effectively achieve common goals, and to ensure that their respective decisions do not inadvertently work at cross purposes.

  ***SPO's Role**: SPO is working with the Department of Environmental Protection to identify relationships between energy and environmental policies and programs and to proactively coordinate activities and share information.*

- *Climate Change*: Maine's economy and environment are vulnerable to risks associated with changes in the climate. During the last century, concentrations of greenhouse gases, such as carbon dioxide, methane, nitrous oxide, and chlorofluorocarbons, have increased rapidly in the atmosphere as the result of emissions from industrial and cultural activities. Maine has always been in the forefront of environmental protection and conservation, because its citizens have valued the quality of the State's natural resources. Yet recent problems such as acid rain and ground-level ozone derived from long-range transport of pollution remind Maine citizens that air pollution and global warming are problems that transcend political boundaries. These problems require cooperative efforts at the state, national, and international levels.

  ***SPO's Role**: SPO convened Maine's Climate Change Task Force representing a broad range of interests (government, education, business, and nonprofit organizations) and a team of scientists, economists, and policy analysts from the University of Maine to develop a suite of policy options designed to reduce emissions. As the State determines what actions to implement to respond to the*

problem of climate change, SPO can provide information to inform those policy discussions.

- *Energy Conservation*: The State's focus on energy conservation fluctuates. When oil prices are volatile, calls for state government to help manage demand are loud. When prices are stable, other priorities prevail. In passing the Electric Industry Restructuring Act, the Legislature reaffirmed a public policy preference for energy conservation. As part of that Act, the Legislature established a "system benefit charge," also known as wire charges, to be included in customer rates. These charges pay for the development and implementation of statewide electric energy conservation programs (MRSA 35-A § 3201-3217). While the development of such programs is a significant new policy direction, it is founded on long standing state energy policy that supports energy conservation as a viable alternative to creating new generation capacity and expanding transmission lines. As consolidation of markets occur and the impacts of deregulation are felt, energy conservation could play a significant role in producing lasting change whereby public intervention in the market is no longer needed or the level of intervention can be changed.

  ***SPO's Role**: SPO was directed to develop the State's Electric Energy Conservation Program Plan with broad input from stakeholders and the public. SPO continues to play a role advising the Governor and Legislature on energy conservation issues.*

- *Nuclear Energy*: Maine Yankee is scheduled to be fully decommissioned by 2005. On May 17, 2001, the Bush Administration revealed a national energy strategy that included support for a new generation of nuclear power, albeit on a smaller scale. As a result of the Three Mile Island accident, no nuclear power plant has been built in the U.S. since 1979. The number of nuclear plants in the U.S. remains at 103. During the same 20-year period, the rest of the world increased its inventory to 338 nuclear plants with more scheduled to be built from Brazil to Taiwan to North Korea. Other countries have committed to nuclear energy because it provides energy independence. In the U.S., concerns about global warming and an aging nuclear energy brain trust (there are now too few nuclear energy professionals and academics in the U.S. for the number of plants) resulted in the President's Science and Technology Committee to recommend that the U.S. support research and development in nuclear technologies. The disposal solution for the byproducts of nuclear power, called waste in the U.S. but a resource in most other countries, will dictate whether there is to be a U.S. nuclear energy renaissance. So long as the U.S. maintains an open-end cycle (the fuel is only used once and then called waste) and lacks interim spent fuel storage or permanent disposal options, it is unlikely that the U.S. Nuclear Regulatory Commission will issue any new licenses for commercial nuclear power plants in the foreseeable future. One current debate in spent fuel management, in which Maine will a role so long as spent fuel remains in the State, concerns whether the U.S. will support reprocessing of U.S. commercial spent fuel. Reprocessing reduces the volume of waste considerably and is a service available in the world market and used by other developed countries with nuclear power plants (France and Japan, for example).

  ***SPO's Role**: SPO houses the Office of the State Nuclear Safety Advisor (OSNSA), funded by ratepayers. The SNSA advises the Governor on nuclear safety issues*

and represents the State at local, state and national forums convened to address and create solutions for stranded radioactive materials. As an agent of the State, the OSNSA provides a negotiating venue for multiple parties in various contexts requiring informal or formal agreement on radiological matters.

Emerging Programmatic Issues:

- *Changing Role in Energy Policy*: Deregulated energy markets are increasingly becoming regionalized. A number of SPO's statutory energy responsibilities are no longer relevant in today's market and should be modified or eliminated. Traditional energy forecasting has given way to the need to be able to develop policy responses to changing and often volatile markets. SPO relies on federal and special revenue sources to fund its energy staff. Use of non-federal dollars for this purpose, and especially to provide a way to coordinate and present unified positions within a regional marketplace, would provide greater flexibility to respond to state priorities.

  Background: SPO has played a role in energy planning and policy development since the early 1990's when the Legislature abolished the State Office of Energy Resources and transferred those responsibilities to SPO. Over that time, the energy market has changed considerably. In the late 1990s, the Legislature deregulated the utilities industry and introduced competition into the marketplace by preventing electricity generators from also distributing and marketing electricity. Following deregulation, electricity generators, not only from Maine, but from as far away as Florida, became energy suppliers for Maine residents and businesses. Pricing, inventories, and reliability are no longer controlled within Maine's borders. Effectively influencing regional and national markets will require increased cooperation among Maine stakeholders, and the building of networks and alliances across the region.

  This means that Maine's traditional approach to energy planning (forecasting future supply and demand) is no longer practical. Preparing an energy forecast, for example, is expensive and time-consuming. To purchase an economic model alone would cost $50,000, in addition to staff resources needed and an annual cost to maintain it. Once the modeling was completed, the activities available to a single state to influence a regional market would be limited.

  Yet, the State does need a capacity for to assist policymakers and stakeholders with energy-related decisions. SPO's energy staff is almost entirely funded with federal grants and special revenue sources that are dedicated to the tasks dictated by the funding sources. These include, for example, developing an energy emergency response plan, for example, under a grant from the U.S. Department of Energy, or evaluating the feasibility of producing ethanol in Maine funded by the National Renewable Energy Laboratory. This dedicated funding makes it difficult for SPO to respond to the needs of the Governor and Legislature for a centralized, well-informed source of energy policy-related information on emerging issues. Further, a Cabinet-level, interagency council, similar to the Land and Water Resources Council, may be called for to coordinate state energy information, policies, and investments.